

Transcript of a KnowledgePlex Live Chat

Guest: Eric Belsky, Millennial Housing Commission and Harvard University's Joint Center for Housing Studies

Moderator: Amy Tharpe, Fannie Mae Foundation

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Eric Belsky

Good Afternoon. I'm Eric Belsky. I served as Research Director for the Millennial Housing Commission. With me today are also Cushing Dolbeare, founder of the National Low Income Housing Coalition, and Ophelia Basgal, Executive Director of the Housing Authorities of Alameda County and Dublin California. Both served as commissioners and were part of the Executive Committee that took lead responsibility for the development of the report.

In our chat today, I am hoping to have a discussion about how and why the Commission arrived at its recommendations, why it chose to focus on certain issues but not others, and how the Commission dealt with the most sensitive issues, such as work and marriage requirements and regulatory barriers to affordable housing.

Chat Moderator

There are a number of proposals in the report that recommend interesting enhancements to current programs. What are some of the "new" initiatives recommended in the report?

Eric Belsky

The Commission divided its recommendations into three categories: One was refinements to existing programs working well, one was major reforms to existing programs in need of significant change, and one was new tools. Cushing will give you an idea of the new tools the Commission recommended. They were based on a review of what was missing from the existing tool box.

Cushing Dolbeare

We are recommending four "new" tools: a homeownership tax credit, a production program to provide rental housing for extremely low income households, exit tax relief for owners of affordable rental housing who wish to sell to preservation entities, and a proposal for comprehensive neighborhood renewal.

John Kenny

What about allowing housing finance agencies to earn arbitrage?

Eric Belsky

The Commission recommends exactly that. It is consistent with a thrust of the report that states should have maximum flexibility and resources to accomplish their mission.

Ophelia Basgal

The Commission's recommended major reforms include the transformation of public housing,

revitalization and restructuring of FHA [Federal Housing Administration], addressing chronic homelessness, and consideration of the linkage of work requirements with housing assistance.

Chat Moderator

What was the response of the housing community to the report?

Eric Belsky

The response has been highly favorable. As might be expected, not all groups agree with all aspects of all recommendations, but there has been real rallying behind it. Efforts are already underway behind the scenes to use the report to help raise housing's visibility. Cushing, what do you have to add?

Cushing Dolbeare

Generally the response was positive. Because the commission was so diverse and still able to reach agreement, the report really is a kind of broad statement of what the housing world—from low-income advocates to providers—finds necessary to address our housing needs at this time. So, although there will always be disagreement with one or more specific proposals, in general there is broad support.

LVQ

There was some discussion of allowing the transfer of project-based assistance from distressed properties to newly constructed replacement housing. Did that idea go anywhere?

Eric Belsky

The proposal is in the report but it is too soon to tell whether it will fly on the Hill. It would have an ongoing budget impact and in these days of fiscal austerity it will be closely examined.

Chat Moderator

What has been the Hill's response to the report?

Eric Belsky

The response on the Hill, thus far, has been tepid. There are many reasons why, and it is not unexpected. Ophelia and Cushing have been consulting with Congress throughout the development of the report. What is your response?

Ophelia Basgal

I think we all have to remember that at the time the Commission was created, the Hill was looking at budget surpluses. September 11th clearly changed the tenor of the discussion in terms of the national budget. We still believe that the importance of housing to the economy and the general health of the country will ultimately be raised again.

Cushing Dolbeare

The real test of the report will come in the next Congress—right now the legislative agenda for the rest of this year is pretty well set. But we are hopeful that there will be hearings and at least some serious consideration of ALL the recommendations.

Eric Belsky

Remember this was a bipartisan Commission and therefore it has elements that both sides of the aisle liked and disliked. The initial reaction focused on what they did not like, again predictable. But there are lots of good ideas in the report and the housing interests stand ready to make these ideas a reality. The National Housing Conference is using it as a launch pad for formulating its policies on the Hill and so are most of the major trades.

LVQ

The proposal to allow governors to dedicate 15 percent of block grant funds to comprehensive neighborhood renewal projects is interesting, but less appealing to governors since it does not provide any new money. Do you have any sense of which governors might be interested in redirecting existing funds toward comprehensive efforts?

Ophelia Basgal

Not specifically, but we know that there was testimony heard during our public hearings that stressed the importance of having such a tool for comprehensive neighborhood revitalization.

Cushing Dolbeare

The real advantage of the block grant proposal is that it makes it easier to coordinate the use of funds that states now have—which has been difficult on the ground because, despite the block grant format, there are a range of reporting and planning requirements. These can now be applied in a more flexible way where neighborhoods and local governments have a comprehensive proposal.

jlavorel

The report includes sections on "Why Housing Matters" and "America's Housing Challenges." Could you describe these sections? What's in them and why are they important?

Eric Belsky

The sections you refer to are essential to making the case to Congress and the public. People need to know housing matters before they will commit resources to housing. It seems so obvious that housing matters that we often fail to make the case. In fact it is not obvious at all. The ramifications of not having affordable housing are many and varied. The value of affordable housing to achieving other goals, like welfare to work, is consistently underestimated and undervalued.

Cushing Dolbeare

In many ways, I think the housing challenges section of the report is more important than the specific recommendations. Few members of Congress or others realize how critical and pervasive the housing problems of extremely low-income families are. This report lays that out in the context of our broader housing needs.

Eric Belsky

An example of an important difference [of the report] from the administration is on the block grant waiver. We argued for a narrower waiver than the administration and we are more careful to make sure end uses for the funds are consistent with the original mandate.

John Kenny

Were there any recommendations for increasing the volume cap for tax-exempt bonds?

Eric Belsky

Yes. The boldest proposal on this was to lift the cap for projects that commit to keep 20 percent of the housing units affordable at 80 percent of [area median] income. Half those units would have to be available to voucher holders to disperse opportunities for aid recipients to find housing near jobs and new development. Of course, this has a potentially large budget impact and not one that is easily predicted. This will be a tough sell on the Hill, but was viewed as one of the Commission's most important proposals.

Ophelia Basgal

In the public housing reform proposal we also discussed removing the anticipated tax-exempt financing from the cap or increasing states' tax credit allocation.

Chat Moderator

What are the provisions of the report on work requirements?

Eric Belsky

There was a lot of discussion of this issue and, as you can imagine, it was the most controversial topic. Therefore, the wording with respect to it is very careful. Ophelia worked a lot on this. Ophelia?

Ophelia Basgal

The Commission acknowledged that there has been success in the welfare reform area and that there were lessons that could be considered. The Commission's recommendation makes clear that any linkages between housing and work require resources in order to be successful.

David

The U.S. Conference of Mayors and the Bush administration have both recently announced affordable housing proposals. What effect do you think these proposals will have on the housing debate and your report?

Eric Belsky

The proposals of the administration and the mayors are generally consistent with the Commission's recommendations, but with some important differences.

Cushing Dolbeare

Our recommendations are basically compatible with the Conference of Mayors' agenda—for example, the mayors specifically supported the national housing trust fund legislation. The Commission recommends an extremely low-income production program (without specifying funding source or program level) that is essentially compatible with the thrust of the trust fund.

LVQ

Making housing assistance transitional would have a profound effect on families, communities, and the affordable housing industry. Are there legislative vehicles in the works now to make this

happen, or is it safe to assume it is several years off?

Ophelia Basgal

There have been some discussions in the TANF [Temporary Assistance for Needy Families] reauthorization bill that address this issue. But at this point, it's just discussion because the consequences of terminating housing assistance are complicated.

Cushing Dolbeare

One major concern of the commission was how to support housing as an essential part of the "ladder of economic opportunity." Our major concern is that we need to have supports, such as self-sufficiency programs, to make job opportunities feasible, and to see that housing is available in locations close to job opportunities.

Eric Belsky

Yes, work requirements are probably "years off," especially if the Commission has its way. We expressly state it took 15 years before welfare reform was ready for prime time. It is possible that a strong push would bring this on sooner, but the Commission at least urges caution. The proposal was viewed as having merits, but a "go slow" attitude prevailed.

yana

I am still confused regarding the work requirements. Does this mean that applicants for any subsidized housing will need to find work?

Ophelia Basgal

Regarding the work requirements, the proposal did not address all housing programs. The focus was primarily on public housing programs, but once again we want to reiterate that we recommended that services be linked to any consideration of this work requirement proposal.

Eric Belsky

Many fall under welfare reform already, so they have the requirement coming from another direction. But the situation with the rest is nuanced as Ophelia points out.

Cushing Dolbeare

I think it's important to recognize that the recommendation on work requirements explicitly notes our view that ALL households that can work should do so, whether or not they live in subsidized housing. Second, work requirements are only acceptable if adequate support services and job opportunities are available.

Ophelia Basgal

For more details on the work requirements or any aspect of the report, you may want to visit the Commission's web site at www.mhc.gov.

Chat Moderator

You recommend a major overhaul of public housing? What are you recommending and why?

Eric Belsky

Public housing has long been under funded and it was felt early on that a new approach was needed. It is sure to be controversial, but the goal is to improve, not dismantle public housing.

Ophelia Basgal

The Commission recommended moving the funding of the public housing program to a project-based funding system. We believe this change will allow public housing authorities to access private capital using the project-based annual contributions contract as collateral for needed capital improvements to their properties.

Eric Belsky

The idea was to use private-sector principles for finance and underwriting while retaining public ownership.

Eric Belsky

The public housing approach also right-sizes solutions for different elements of the stock: distressed, doing well, and teetering but correctable with a little capital infusion.

Ophelia Basgal

This requires a careful analysis of the maintenance conditions, reserve needs, and operating expenses of the public housing developments and a thoughtful transition.

Eric Belsky

Right, and our proposal accomplishes that.

Chat Moderator

In the report, it is unclear what role that community development corporations (CDCs) will play in implementing these proposals. What role do you see the CDCs playing in your recommended changes?

Cushing Dolbeare

Part of our legislative mandate was to involve the private sector. We interpreted this to include both nonprofits and for-profits. Our recommendations do not single out CDCs, although they will likely be the primary providers of housing for extremely low income families and there is nothing in the report that would diminish their importance.

Eric Belsky

Cushing, why don't you explain the production program proposal for the poorest? The Commission underscored how great the need is there. How will the nation address this?

Cushing Dolbeare

Two-thirds of the renter households with critical housing needs have extremely low incomes (ELI). The median housing cost to income ratio for these ELI households is 58 percent of income. The Commission, recognizing the urgency of providing more housing for these households, is proposing a 100 percent capital subsidy for units, generally part of mixed-income developments, to be set aside for ELI households. Unfortunately, this is NOT affordable housing

by the 30 percent of income standard (which would roughly quadruple the lifetime cost), but it will provide opportunity for better housing at less cost than these households now pay. Rents would be the operating cost of the units.

We also recommend “substantial annual increments of vouchers,” most of which serve ELI households.

Jmaccubbin

One of the things that we struggle with in the City of Frisco, Texas, is providing homeownership opportunities for families that make less than \$60,000 per year. Our median home price is over \$200,000. Can you discuss how your single-family tax credit will work and how it might help us in Frisco?

Eric Belsky

The single-family tax credit can be used in one of two ways. One is to reduce the sales price on the home by raising capital to lower development cost. The other way is to pay down interest rates by using the credit to come up with points or to use the tax credit to fund soft second mortgages. The former deals with the appraisal gap and the latter with income and wealth constraints, but even the former would help low-income people afford homes by reducing sales prices.

Chat Moderator

You have discussed a lot about new tools and new programs; which programs do you think should be "enhanced"?

Ophelia Basgal

One example is the Section 8 housing choice voucher program. The Commission also agreed that the Section 8 program works relatively well. We recommended that Congress focus on the areas where improvements are needed—for example, changes to increase landlord participation, ways to increase the FMRs [fair market rents] to more rapidly address changes in rental markets, etc. In the HOME and tax credit areas we focused on recommendations to make the programs integrate more efficiently, eliminate duplicative paperwork and reporting requirements, and address unique problems in rural areas, etc.

Eric Belsky

HOME has broad support, again because it gives local governments more flexibility.

JMaccubbin

It sounds like the first would work best for us. Who would be the recipients of the credits? I'm assuming they would be sold to equity investors the same way MF [multifamily] credits currently are.

Eric Belsky

Yes, that's right. The idea is to have the tax credit for homeownership as it relates to production look and feel as much like the rental credit as possible. States would decide how much of their allocated credits would go to production and how much to the other forms of assistance.

Carol Bell

What is the commission's recommendation regarding the FHA?

Eric Belsky

The Commission recommended restructuring FHA so that it is a government-owned corporation within HUD [U.S. Department of Housing and Urban Development]. The idea is to give FHA much more flexibility in hiring, in developing new products, and in pricing them while still keeping it close to HUD where it can be a positive force for solutions in the federally assisted housing stock. We also make several specific proposals that stop short of overhauling the organization.

Chat Moderator

What did the report not cover?

Eric Belsky

Fair housing was hardly addressed. No specific proposals came forward for changes to the law and there was heated debate about whether enforcement efforts were working well or not. In the end that discussion did not lead to any recommendations. Nevertheless, there was unambiguous support for the aims of fair housing and fair lending and presumption that laws in these areas form the bedrock—the basic infrastructure—of housing programs.

Cushing Dolbeare

We tried to limit our recommendations to things that Congress could enact and, of course, that we could agree on. So, we didn't address program levels or the level of appropriations to fund our proposals, nor did we deal with design issues, nor did we really address smart growth. One of the areas that got only general statements of support was civil rights and fair housing—which I have long felt were critical to an adequate housing program. There is good background material on the MHC (Millennial Housing Commission) Web site (www.mhc.gov) on this and other issues.

David

I recently attended a forum on the future of the Hope VI program. The public housing tenants and advocates in attendance were very upset at their lack of participation in program decision making. What are your thoughts on involving the people who are most affected by affordable housing policies?

Ophelia Basgal

The Commission's recommendation on public housing reform specifically addressed the importance of resident involvement in the future planning for individual developments. Successful conversion of the public housing stock requires the involvement and support of residents in the planning process as well as in carrying out such a transition. We also recommended that residents have access to training and technical assistance necessary to make their involvement informed and productive.

JMaccubbin

What are the next steps the commission will take to assure that these proposed measures actually

make it into legislation?

Eric Belsky

The Commission is made up of individual commissioners who will be out there fighting for the proposals. But as we mentioned, there are more organized efforts afoot. The staff director, Conrad Egan, will be active in working with the National Housing Conference to pursue the report's recommendations. The major trade groups have already lined up behind many of the proposals and issued statements in support of the report and its recommendations. Those trade groups have to take some of the responsibility to sustain the momentum it takes to translate ideas into legislation.

Ophelia Basgal

Commissioners will continue to speak to interested groups on the recommendations, explaining the thought processes, background, etc., in order to inform hoped for advocacy from interested groups.

Eric Belsky

There are lots of presentations scheduled around the country and in Washington. The Fannie Mae Foundation intends to devote its Annual Housing Conference to broad housing policy in the new millennium. The Commission's report will shape the agenda for that conference and extend analysis contained in the report.

Cushing Dolbeare

Whether or not our proposals are adopted will depend on whether there is support for them OUTSIDE of the Commission. We've provided a statement on why housing matters and housing challenges—and these need to be taken seriously not only by the housing community but by those concerned with education, jobs, health, and other needs. In my view, housing is too important to leave to the housers.

Chat Moderator

Did the report comment on the appropriate roles of different levels of government—federal, state, and local?

Ophelia Basgal

We certainly heard over and over again that housing is a local issue and federal funding, regulations, and programs needed to acknowledge that fact. The Commission's recommendations addressed the importance of delivering the resources in an effective manner and the importance of the state and local governments roles in that effort.

Cushing Dolbeare

In addition to devolution, we also reaffirmed the critical role of the federal government in setting specific program objectives and outcomes, and the responsibility for civil rights and fair housing enforcement.

Eric Belsky

One local issue that did not get that much attention in the report relates to regulatory barriers to

affordable housing. In the end, the Commission felt that this was such a local issue and so ingrained in local politics that federal recommendations of a bold nature were inappropriate.

Chat Moderator

What is your proposal with regard to ending chronic homelessness?

Cushing Dolbeare

We called for ending chronic homelessness within 10 years through expanded funding for housing with supportive services. We also recognized that a substantial increase in access to housing by extremely low-income households is necessary to address homelessness.

JMaccubbin

I think we'll have to continue, on an ongoing basis, to struggle for the right mix of federal, state, and local government. Each level has its own view and its own agenda. Policy needs to be shaped so that each level holds the other accountable to make housing work for everyone—especially when it comes to dealing with local regulatory barriers. Thanks to everyone for your hard work!

Eric Belsky

Remember, the best source for information is our Web site, which will be maintained forever (!) by the Government Printing Office thanks to the diligence of Jennifer Lavorel who helped make the report happen. The Web address is www.mhc.gov. The full research that supports our many recommendations is found there.

Chat Moderator

Thank you for participating in our chat today. This has been a very lively discussion. You can access the transcript of this chat on www.knowledgeplex.org in the next week. Our next chat will take place on July 9 at 3:30 pm EDT—we will discuss the 2002 State of the Nation's Housing report with Nic Retsinas.